

that in

[Document P.]

BY THE HOUSE OF DELEGATES

February 13, 1844.

Read and ordered to be printed.

R E P O R T

OF THE

MAJORITY OF THE COMMITTEE

ON

W A Y S A N D M E A N S,

TO WHOM WAS REFERRED

So much of the Governor's Message as relates

TO THE

F I N A N C E S O F T H E S T A T E.

ANNAPOLIS:
RILEY & DAVIS, PRINTERS.

.....
1844.

R E P O R T .

The Committee on Ways and Means, to whom so much of the Message of the Governor, as relates to the finances of the State was referred, have had the same under consideration, and submit the following report:

Upon a careful and thorough investigation of the whole subject, the committee have come to the conclusion, that though the condition of the State is one of serious embarrassment and difficulty, there is no reason to despair of her ability to meet all her engagements, and ultimately to free herself from the weight of debt, which now represses the energies of the people.

The first and most important subject which engaged the attention of the committee, was the ascertainment and application of the proper measures to enforce a compliance with the present revenue laws of the State. It seemed obvious that, unless these laws were obeyed in every part of the State, and every portion thereof, made to bear a proper share of the public burdens, that the whole system of taxation would crumble into ruins. The committee do not wish to be understood as saying, that the delinquency of one or more counties, would justify others, in withholding obedience to the law, or refusing to contribute their share of the sums required to meet the public engagements; but the manifest propriety that each and all, should pay alike, and the indispensable necessity of their doing so, to enable those engagements to be met, would render any system not attended with that essential feature, too precarious and indefensible to be permanent. The committee, therefore, in the outset, directed their attention earnestly and anxiously, to this vital subject, believing that upon the success of the measures which may be adopted to that end, the very foundation of our hopes of maintaining the honor of the State rests.

They have, therefore, bestowed great pains upon the preparation of a bill, framed to accomplish this object. This bill has been reported to the House, and is now undergoing the ordeal of a searching examination and criticism. The present is not deemed the proper occasion, to enter upon an elaborate defence of either the principles or details of the bill. That has been done, or will be

done, in debate upon the floor. 'They will only here say, that in the opinion of a majority of the committee, it will effect the purpose for which it is honestly designed, and perhaps they may be excused for remarking, that those who urge objections against it, ought at least to present some other scheme, more perfect and efficacious. The bill, they believe, if it become a law, will secure the collection of the taxes, and when that shall once be effected, and the whole revenue system fairly put in operation, the great difficulty in our way will be surmounted, and the path made easy, to the adoption of such other measures, as may be found to be necessary, for meeting punctually the demands of the public creditor.

The committee cannot bring themselves to believe, that any argument or appeal, is necessary to be addressed to the members of the Legislature of Maryland, to convince or persuade them, of the stem and imperative duty of meeting with fidelity the claims of the public creditor. To suppose such necessity, is to infer an utter disregard of the plainest principles of fair dealing, and common honesty, and of course the supposition is wholly inadmissible, in a report addressed to the body, whose organ we are.

The people of Maryland, have not even the flimsy pretext, which is urged with reference to the debts of at least one of the States, that it was contracted in opposition to the forms of the constitution.

Mississippi insists, that with respect to a part of her debt, the form of contracting, as prescribed by her constitution, was not observed, and upon that ground, she denies her obligation to pay it; but with reference to the residue, she not only recognises its validity, but has passed tax laws of great efficacy and vigor, punctually to discharge it, according to the terms of her engagement.

The ground upon which she disavows the binding force of part of her debt, we consider altogether untenable, but still to some minds there may seem to be a plausible pretext for the course she has taken. But with us in Maryland, the invention of man can devise no excuse, for departing for one moment, from the plain path of honor, and honesty. No ingenuity or sophistry can raise a doubt of the direct and palpable obligation of the State, to pay to the last dollar all she has borrowed, principal, and interest. To refuse to do so, or to delay, without the most overruling necessity, a resort to all the means in her power, to redeem her obligations to the uttermost farthing, would be voluntarily, to consign her name to everlasting infamy.

No name of sufficient authority to arrest the public attention, has ventured to express a doubt, of the perfect capacity of the State to contract debt, whilst jurists and judges of the most exalted reputation, have concurred in affirming her power to do so. The wretched sophistry, that this power is denied the Legislature by the 13th article of the Declaration of Rights, is almost too preposterous to merit our notice.

It has been sometimes said, that our debt has been contracted by the borrowing of money for purposes of Internal Improvement,

and that the language of the article referred to, does not authorise the levying of taxes for such an object. The provision is, that every person, except paupers, "ought to contribute his proportion of public taxes for the support of government," and it has sometimes been obscurely hinted, rather than asserted, that the laying of taxes to pay debts, contracted for the internal improvement of the country, is not for the support of government. It would be strange indeed, if the improvement of the internal condition of the country, were not the legitimate exercise of the powers of the government. Those who assert the doctrine must maintain, not only, that the State has no power to do this, but that she cannot communicate the power to others, for it could hardly be insisted, that she can impart faculties to others, which are denied to herself, and yet from the adoption of the constitution to the present time, the Legislature has been in the unquestioned exercise of the power of incorporating companies to make roads and canals. It is believed that, there does not exist a government in the world, without this power, and that it is indispensable to the welfare and prosperity of the people.

Nor can the citizens of Maryland protect themselves, from the utmost severity of reproach, if they falter for one moment, in the path to which honor points, by the apology, that they have been involved in debt, without due notice and consideration. The system of borrowing money for Internal Improvement, originated in 1827, and has continued without interruption, until 1839; with full notice to the people, and with their entire assent and approbation. The circumstances under which the eight million loan bill passed in 1835, give to it a force, and to all the obligations it imposes, a solemnity, which do not belong to ordinary acts of legislation. The Legislature then assembled, impressed with the weight of the responsibility which rested upon them, and desirous of consulting the people in reference to a subject of such vast importance, resolved to adjourn, to meet again in extra Session in May, that in the interval, they might ascertain the will of those, whose interests were so vitally concerned in the result. They accordingly did so adjourn, mingled together, and consulted with their constituents, and coming again, fresh from the source of power, and clothed with their authority, passed the law, under which this large addition was made to the public debt. To whisper a doubt of the validity of a debt so contracted, bespeaks a contempt for all those principles of common honesty, and common justice, upon which not only, all our most cherished rights, but the very frame work of the social system itself depends.

If the State may set aside these engagements, she may with equal propriety, violate any other contract into which she has entered. She may revoke the grants, upon which the title to all the lands in the State depend, and issue others for the same lands, after having received a full equivalent for them, from those to whom the grants were originally made. To maintain such a doctrine, is to tear up by the roots that, which lies at the foundation of all that

is worth living for, and to make the State, the fountain of fraud and dishonesty, when its proper and becoming office, is to disseminate among the people, the pure principles of honor and justice.

It may be assumed as incontrovertible, that corrupt Governments, will contaminate the people.

Governments are, or should be, the springs of law and justice, but if the waters which flow from them, are infected with poison, it follows with unerring certainty, that disease and corruption will spread throughout the land.

Could even a rational doubt be entertained of the original power of the Legislature to contract debt, that doubt, under the circumstances attending the creation of ours, would not furnish the slightest apology, for hesitating to pay it. The people the source of all power, were fully aware of the proceedings of their agents in reference to this subject. They not only knew, but approved of those proceedings, by re-electing for a series of years, the same persons by whom the debt was contracted, and by whose authority, from time to time, its amount was augmented.

Having thus not only stood by, but actually encouraged our agents in passing the laws out of which our responsibilities have arisen, to turn about now, and insist upon a want of authority, would argue an audacious contempt, for the opinion of every honorable mind, only to be exceeded by the infamy of the attempt.

But even this aspect of the subject, degrading as it is, is not the worst. The people not only stood by, saw, and encouraged the contracting of this debt, but they suffered the money borrowed, to be applied for their benefit, to objects, from which they anticipated large pecuniary advantages. If the result had realised their expectations, they would have reaped the profit, without any scruple touching the power of their agents; and surely, no mind can be grovelling enough, to raise the question now, only because the speculation has proved an unprofitable one.

The committee cannot bring themselves to think, that the day will ever come, when the doctrine of repudiation will strike its roots in the soil of Maryland.

They now proceed to present their views of the finances of the State, and they hope to be able to show, that with proper exertions, it may again be restored to the proud elevation it once occupied.

The funded debt of the State is, - - - \$15,204,784 98

The amount held by the Baltimore and Ohio Rail

Road company, which is not a charge upon the

Treasury, is - - - - - 3,200,000 00

Leaving an actual debt of - - - \$12,004,784 98

The productive capital of the State, besides its Bank stock, consists of the following:

In the stock of the Baltimore and

Washington Rail Road company,

the State holds \$550,000—worth

at the market price \$75 per hundred,	\$412,500 00
In the Baltimore and Ohio Rail Road company \$500,000—worth \$39 per hundred,	195,000 00
And other stocks worth about,	10,000 00
	<hr/> \$617,500 00

Leaving a balance of debt of \$11,387,284 98

So that the actual debt of the State, after deducting her productive capital, (other than the Bank stock,) at prices which it will command in the market, is \$11,387,284 98.

The Bank stock is not exhibited in this connexion, because it is proposed to sell it, to pay the arrears of interest due from the State.

But besides this productive, the State holds a large amount of capital and credits, at present unproductive, but which must nevertheless, in the course of a period not very remote, become of considerable value.

The amount of capital and credits thus held, independently of interest accrued upon them to the 1st of December, 1843, is - - - \$13,628,322 77

From this amount is to be deducted, the stock of the Baltimore and Ohio Rail Road company, for three million of dollars, included in it, for which the bonds of the State for \$3,200,000 were given, the said bonds not having been used, and having been deducted from the liabilities of the State, - - - - - 3,000,000 00

Leaving of unproductive capital, - \$10,628,322 77

Much the largest portion of this capital, consists of the bonds and stock of the Chesapeake and Ohio Canal company—of the Baltimore and Susquehanna Rail Road company—and the Susquehanna and Tide Water Canal company.

The committee suppose that under the most unfavorable circumstances, the capital and credits of the State, which are at this time unproductive, would if so applied, pay five million of dollars of the State debt.

If this be so, what is her actual condition? The debt of the State, deducting her productive capital, at present market prices, is as we have seen, - - - - - \$11,387,284 98

She holds unproductive capital, and credits, which would pay at this time, at least - - - 5,000,000 00

Leaving only the sum of - - - \$6,387,284 98
And of this balance of debt, there belongs to the sinking fund, the sum of - - - \$1,160,075 09

\$5,227,209 89

The result therefore is, that the whole debt of the State, deducting her capital and credits, at their present market value, and deducting likewise, the sinking fund, which constitutes a part of the debt, but whose office is, to extinguish the balance, amounts to no more, than the sum of - - - \$5,227,209 89

With respect to this sinking fund, the committee will take occasion to say, that it consists almost exclusively of premiums paid by the public creditor for the stock of the State, which premiums, with their accumulations, are inviolably pledged in the strongest terms of which the language is capable, for the payment of the principal and interest of the public debt. The committee look upon this fund, placed under the control of the Treasurer of the State, as a sacred trust for the security of the creditor, and that to abolish, or interrupt its operation, would be a violation of public faith.

Having thus shown the amount of the indebtedness of the State, after deducting her capital and credits, the committee will proceed to point out, in what manner the annual interest on the debt can be paid, as also the arrearages to the 1st of December, 1843, the end of the last fiscal year.

The annual interest on that portion of the debt, which is not secured by specific pledges, is according to the last annual report of the Treasurer, - - - \$626,821 16

Assuming that the taxes will be collected in all the counties, which must be the basis of every calculation upon the subject, the committee estimate that the direct tax will produce \$420,000

They estimate also, that the Income tax, properly assessed, and collected, will amount to, - - - 40,000

The Tide Water Canal Company, it is confidently believed is able to pay the interest on the amount loaned it, which interest is - - - 55,000

The dividend in the stock held by the State, in the Baltimore and Ohio Rail Road, which is applicable to the payment of the interest on the public debt, will not be less than - - - 10,000

From the Baltimore and Susquehanna Rail Road Company, the committee are assured will be received - - - 20,000

The auction duties which are now freed from the specific charge upon them, will contribute, - - - 20,000

A bill will be reported, imposing a tax on collateral inheritances, bequests and distributive shares, which it is estimated will produce - - - 20,000

A bill allowing the sale at public auction, of State, City, and the stocks of

all incorporated companies, upon paying into the Treasury one half of one per centum, is estimated to yield	-	-	15,000
To which may be added the tax on protested notes, and bills of exchange—on silver plate, and watches—on the the different classes of brokers—on theatrical and other exhibitions, imposed by the several laws passed at December session 1841, and which if properly enforced and collected, cannot produce less than	-	-	30,000
Making in all an annual revenue of	-		<u>\$630,000</u>

Should these estimates be realized, and the committee think they are neither extravagant or sanguine, there will be abundant means to enable the State to meet the demands of her creditors, and the obligations which a proper sense of her own honor impose upon her.

Having thus endeavored to show the amount of the public debt, the available means of the State, applicable to its extinction, and the resources which may be relied upon for the payment of the annual interest, the committee propose to explain how, in their judgment the arrears of the interest to the close of the last fiscal year, may be paid.

These arrears, according to the report of the Treasurer amount to	-	-	-	-	\$1,171,872 87
The bank stock held by the State, and which may now be spared, amounts to	-	-	-	-	\$510,966 66
The arrearages of taxes for 1841 and 1842 are	-	-	-	-	269,703 29
The sums due from public officers on the Western Shore exclusive of interest are	-	-	-	-	95,129 45
Ditto on the Eastern Shore,	-	-	-	-	28,746 41
Interest due from the Tide Water Canal Company,	-	-	-	-	167,000 00
					<u>1,071,545 81</u>

Leaving after the application of these means a balance of - - - - - \$100,327 06 to be funded or satisfied in some other way.

The committee think that, the State possesses sufficient resources to pay the current expenses of the Government, without the aid of the dividends on her Bank stock. These dividends in the past year, amounted to \$28,440—but the Treasury during the same period, was subject to a charge of \$15,000 on account of the Maryland Penitentiary, a charge, which will not recur this year, that Institution, according to their annual report not standing in need of

further assistance. The difference of a little more than thirteen thousand dollars, it is thought, will not impair the ability of the State to pay the ordinary demands upon the Treasury, and the committee have therefore decided, to recommend the sale of the Bank stock at public auction, with the privilege to the purchaser to pay for it, in claims against the State, for principal, or interest. The balance of these arrearages of interest, which will remain, after the application of the means of payment suggested above, cannot be known until the General Assembly shall again meet, when the proper measures, either to fund, or pay such balance, can be adopted.

The committee now recommend that the most vigorous proceedings be employed, to collect all sums of money due the State, and that authority be given the Treasurer, to apply them, when brought into the Treasury, as above indicated.

It has already been shown that, the whole amount of the public debt, deducting the bonds held by the Baltimore and Ohio Rail Road company, and which are not now, nor likely to be, a charge upon the Treasury, is \$12,004,784 97.

The sinking fund invested in the State's own stock, is	-	-	-	-	-	-	\$1,160,075 09
Besides this, there stood to the credit of the same fund, invested in Bank stock, and in cash ready to be invested, on the 1st of December, 1843,							
the sum of	-	-	-	-	-	-	26,742 18

Making in all	-	-	-	-	-	\$1,186,817 27
---------------	---	---	---	---	---	----------------

invested as a sinking fund for the payment of the debt.

By keeping this fund constantly productive, and investing the dividends, and interest as they arise, the entire debt of the State, will be extinguished, in a period short of forty years; and this may be done, by the operation of the sinking fund itself, independently of any aid from the works of Internal Improvement, for the construction of which the debts were contracted.

But upon the supposition that the committee are right, in their estimate of the value of the productive and unproductive capital of the State, then, the amount of the debt to be absorbed by the sinking fund, is no more than \$5,227,209 89, a sum, which that fund will discharge in full, if permitted to go on without interruption, in a little more than twenty-four years.

Looking then, at our condition, as it really exists, and not suffering ourselves to be frightened from our propriety, by exaggerated statements of the difficulties which surround us, is there any thing so very gloomy in it, as to cause us to sink into those depths of despair, from which hope is excluded.

The annual value of the agricultural productions of Maryland, according to a statistical work of authority, published in 1841, is \$43,846,200 more than trebling the entire principal of our debt, and of which, one and one half per centum, would pay the interest. Can that State be said to be irretrievably involved in ruin,

when one and one half per centum, of one branch of its industry alone will pay the interest upon its debt? Can it be possible, that the people of Maryland will refuse to make this small sacrifice for the preservation of their honor, that inestimable quality, without which every other blessing is vile and worthless? That a community descended from the stock from which we derive our origin, will calmly fold their arms, and hug their pockets, whilst an indignant world is looking on with scorn, and the "robbed and ruined" creditor is beseeching in vain for payment, is too monstrous for belief. All the honorable instincts of our nature revolt at such a supposition, and it cannot, will not, and must not be the case.

As therefore the day of payment must come, the sooner it comes the better. Independently of the disgrace which attaches to our present condition, it is far more expensive than would have been a punctual fulfilment of our engagements. Had Maryland, and the other defaulting States, regularly paid their dividends, nothing can be clearer, than that in the present abundance of money, they might have borrowed at low rates of interest, and paid off their stocks bearing higher rates. It is not going too far to say perhaps, that a large portion of the debt of Maryland might in this way, and by this time, or at a period not very remote, be reduced to a debt bearing interest at the rate of three or four per cent, and this without the slightest injustice to the creditor. And even now, if the State shall resume the payment of her dividends, and show by the adoption of a permanent system, that she is resolved to do so for the future, there is strong ground for believing that a few years will so far restore her credit, as to enable her to avail herself of the low value of money to reduce the annual charge for interest.

Here then is a motive, if motive can be required, in aid of the impulses of honor; to urge us to the discharge of our duty.

There is one other consideration which the committee will present, and then take leave of the subject.

There are now several of the States of this Union, who are not paying the interest upon their debts. Against them all, reproaches loud, vehement, and bitter are heard on every side, and the disgrace becomes deeper, and deeper, as time rolls on. There is one way however, and perhaps only one, in which the sting of these reproaches can be assuaged, and the character of the State redeemed, from the tarnish which rests upon it, in common with the rest; and that is by being the *first* to do justice to her creditors.

Let Maryland be the *first* of the defaulting States to resume payment, and it may be, that the sins of the past will be forgiven, and her name once more, be the pride and glory of her sons.

JOHN JOHNSON,
B. I. SEMMES,
GEO. S. HOLLYDAY,
COLEMAN YELLOTT.

[Document Q.]

BY THE HOUSE OF DELEGATES,
February 16, 1844.

Read and ordered to be printed.

COMMUNICATION

OF THE

BALTIMORE & OHIO RAIL ROAD COMPANY,

IN ANSWER TO

INTERROGATORIES

MADE BY ORDER OF THE HOUSE OF DELEGATES OF THE TENTH
FEBRUARY.
